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TAGS: PGOV ECON KCOR PINR IZ
SUBJECT: PRT TIKRIT: BEHIND THE SCENES OF BUDGET EXECUTION
IN SALAH AD DIN

REF: BAGHDAD 1124

Classified By: PRT Lead Steven R. Buckler for reasons 1.4 (b) and (d)

¶1. (U) This is a PRT Tikrit, Salah ad Din cable.

¶2. (C) SUMMARY. While much work still remains in building transparency and accountability in Salah ad Din's (SaD) budget execution procedures, the provincial government has made significant advances in 2007. The provincial government is slowly realizing the necessity of automating its fiscal records, and it has begun establishing an integrated Projects Coordination Cell (PCC) with representatives from the Engineering, Accounting, Auditing, and Legal Units, per the 2007 GOI regulations. Of its 117 billion Iraqi Dinar (ID) capital reconstruction budget for 2007, 89 projects valued at 29.2 billion ID have been contracted and started, with an additional 29 projects valued at approximately 12.3 billion ID contracted but not yet started. Bureaucratic challenges and political maneuvering still dominate the budget execution process. Within the 2007 "PC-approved" budget, several projects are still in flux. The process of awarding contracts has largely followed the 2007 regulations, but the actual award and distribution of projects is still politically manipulated. Fiscal data and project status reporting within the provincial government and to the GOI is incomplete and inaccurate, but may be improving in time for the June report. The 2006 budget will likely exceed the allotment by between 2 and 15 billion ID, causing some 2006 projects to be canceled. Others may be funded out of the already tight 2007 budget. As procedures take hold and accountability improves, the qada-level officials and the residents of Salah ad Din are putting increasing pressure on provincial officials to produce quality results and use the province's budget effectively. END SUMMARY.

The Project Coordination Cell

¶3. (C) Until recently, the provincial government was not motivated to establish the Project Coordination Cell (PCC), per the Ministry of Finance (MoF) and Ministry of Planning and Development Cooperation (MoPDC) regulations. The PCC's mandate is to coordinate the budget execution process by having representatives from the Engineering, Administration, Accounting, Legal, and Contracting Units working together in the same room on the full spectrum of budget execution activities, from project or program inception to project completion and acceptance by the appropriate Director General (DG) or executive staff. Additionally, the SaD PCC has the task of supervising, monitoring, and tracking all projects. Until recently, the Engineering Unit had dominated this process, leaving little space for the Accounting Unit and others. The Engineering Unit has recently acknowledged the benefit of having input from the Accounting and Legal Units early on in the process.

¶4. (C) One of the major obstacles to standing the PCC up properly has been the necessity to maintain the parallel 2006 and 2007 bureaucratic structures for budget execution. With spending still taking place on the 2006 budget and with the associated project tracking and accounting support, the provincial government has had to leave contracting and accounting personnel under the PC to comply with the 2006 regulations. In the absence of enough well-trained engineering and accounting professionals and positions, the 2007 bureaucratic structure-- the PCC -- has suffered.

Accounting: No Automation and No Motivation

¶5. (C) The provincial Accounting Unit has been and continues to be reluctant to automate its systems and is uninterested in fully integrating itself into the budget execution process. At present, it enters the process only when payment needs to be made to a contractor or vendor, rather than when the PCC begins the project approval and contracting process. Consequently, many projects are approved with estimates well above the budgeted amount, and there is no meaningful forecasting of available cash and future expenditures.

¶6. (C/NF) Resistant to change and automation, the Accounting Unit has remained uninvolved for several reasons: poor internal leadership, the Engineering Unit's domination in the process, and protection for the Governor and Deputy Governor for questionable spending.

¶7. (C) The Account Unit is currently led by Acting Head Accountant Akram Faisal Azawi al Azawi. Formerly, the Deputy Head Accountant, Akram took the lead position in the summer of 2006 when the Head Accountant was kidnapped. (His

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whereabouts are still unknown.) Although not in the same tribe as SaD Deputy Governor General Abdullah H. M. Ajbarah al Jabouri, Akram lives in the al Alam district of Tikrit, an area staunchly loyal to and under the control of the Deputy Governor. In his tenure as Acting Head Accountant, he has shown little interest in automating the accounting process, providing usable information to accountability bodies (such as the Provincial Council and the Auditing Unit), and has actively obscured misspending by the provincial leadership. Akram insists on using antiquated methods to track fiscal information. Until recently, Akram maintained the province's official accounting records in paper registers that he carried on his person in two plastic bags.

¶8. (C/NF) The Governor and Deputy Governor have been uninterested in replacing the Acting Head or improving his performance, presumably, because he has been willing to cover their questionable and potentially illegal spending. For example, an accounting clerk showed PRToffs receipts for the repair of tribal sheikhs' cars, semi-official meals, and other spending not related to capital projects, all approved by the Governor and the Deputy Governor. Recently, however, one accounting clerk and one engineering clerk have taken a more active role in automating the accounting records and ensuring the proper tracking of fiscal records. Akram, however, often reduces the positive impact their efforts could have. Additionally, the Auditing Unit has no significant role in the provincial government or the budget execution process. (COMMENT: The Governor and Deputy Governor's improper spending is reportedly taken from the supervision and monitoring guarantees allotments meant to equip support offices, to give bonuses to workers, and to cover other project-related expenses. Though potentially illegal, many of their expenditures go to official or semi-official business. Much of this spending would likely be eliminated if they had a more substantial operations budget. END COMMENT.)

¶9. (C) Indicative of its dominance in the budget execution process, the Engineering Unit, under the leadership of

Assistant Governor for Technical Affairs Qahtan Hamadi Saleh al Jabouri, provides all financial reports to the Provincial Council and to other government institutions. The reports are always given orally and in an illogical format, making the ability to comprehend them or the current state of the province's financial affairs nearly impossible. Qahtan maintains a tight reign on project selection, approval, and implementation, causing a break-down in transparency and, at times, lengthy delays. He has, however, removed himself from much of the actual contractor selection process. His direct reporting unit has approximately six engineers, all of whom follow his direction explicitly.

¶10. (S/NF) Until very recently, any meaningful communication and information-sharing that happened between the Accounting and Engineering Units was initiated by the PRT. In a recent positive development, Qahtan stated that he also plans to hire accountants to assign directly to the PCC because the Accounting Unit is not providing the necessary support to the contracting process, though the preferable answer would be to improve relations between the Accounting and Engineering Units. Additionally, in the last two weeks, he has taken a more proactive approach to completing the required monthly reports to the MoF and MoPDC. (NOTE: Although from the same tribe as SaD powerbroker Deputy Governor General Abdullah, Qahtan is from an opposing sub-clan, which was reportedly involved in the January 8 kidnapping of the Deputy Governor's older brother and SaD leading tribal figure Sheikh Ahmed Naji Mohammad Ajbarah al Jabouri. Qahtan's power based on the provincial level constantly remains tenuous, though he has garnered the support of the 16 PC members from Tuz. There is a consistent flow of other reporting about his involvement in questionable activities. At present, all that is known for certain is that Qahtan associates with individuals who associate with AQIZ. In part because of necessity, we continue to work with him as a provincial official. END NOTE.)

¶11. (C/NF) SaD Governor Hamad Hamoud al Shaki al Qaisi, without a powerbase of his own and whom many believed was elected to his position through a backroom deal with the Deputy Governor's older brother, the kidnapped Sheikh Ahmed Naji Mohammad Ajbarah al Jabouri, has largely left budget execution to the Deputy Governor. The Governor's final approval on contracts is largely pro forma, and he has shown little interest in being involved in the internal workings of the process, including the awarding of contracts. Though vastly improved from 2006, the bidding and awarding of 2007 contracts still appears to be easily manipulated by insiders, including the Deputy Governor, who reportedly funnels contracts to contractors from his home district of al Alam.

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The Governor, Deputy Governor, and PC Chairman all claim that project announcements are made through the media, to which all contractors in the province have access. However, officials in other SaD cities often complain that the letting of contracts is not publicly announced and that preference is given to al Alam contractors, who largely have a poor reputation for quality and timeliness. City leaders have begun asking for bid opening and closing dates to ensure their local contractors are aware of projects and have time to bid.

¶12. (C) Though the Accounting Unit has largely been resistant to change, the recent discovery that the province overspent by between 2 and 15 billion ID on the 2006 budget has inspired some of the unit's employees to be more fervent about automation and closer maintenance of spreadsheets (see para 15).

The 2007 Budget Itself - Still Changing

¶13. (C) The province's budget remains influx. After its original approval in March 2007 (reftel), the budget was

changed after the PC members from Tuz, who were absent from the PC meeting that approved the budget, requested and were granted a change to several of the qada's projects; Tuz, however, did not receive an increase in its total allotment. Additionally, several projects that were not approved by the PC appeared on later drafts of the budget. These projects were likely added by Deputy Governor General Abdullah and/or Assistant Governor for Technical Affairs Qahtan. PRT attempts to have these changes voted on by the full PC have been rebuffed, with provincial leaders indicating that a re-vote is not necessary because the total allotment for each district remains the same with only certain scopes of work changed. The latest copy of the budget has 255 projects and totals 121.4 billion ID, with 106.9 billion ID going directly to projects and 10.5 billion ID for the overhead and reserve sums. (COMMENT: The provincial leadership may be uninterested in amending the budget as a face saving measure, because it was extremely proud to be the first provincial government in Iraq to approve its budget. END COMMENT.)

¶14. (C) The bank account for the 2007 budget has been opened, and currently holds approximately 10.7 billion ID, roughly 10 percent of its 117 billion ID budget. Approximately 941 million ID has already been disbursed.

Status of the 2006 Budget) Over Expenditures

¶15. (C) Maintenance of the financial records for the 2006 budget was largely abandoned once the monies for the 2007 budget began rolling in. Only recently did the accountants begin re-tracking expenditures, at which time they discovered the province will overspend on the 2006 budget by between 2 and 15 billion ID. Poor project scopes of work and bills of quantity along with inadequate oversight of contractors have resulted in many projects exceeding their cost, including the seven percent reserve. The provincial government has indicated that any unfunded amounts from the 2006 budget will be made up by funds from the 2007 budget, a change that will require PC approval. Additionally, it appears that some projects that have not begun will be canceled.

The Projects

¶16. (C) It is clear that projects in key officials' districts are given priority. Officials from underrepresented districts have complained that projects in their areas have been placed at the bottom of the priority list or have been canceled altogether.

¶17. (C) The provincial leadership, in visits to major cities and qadas throughout the province, have stated publicly that both the 2006 and 2007 budgets have largely been fairly allocated to qadas by population. However, similar to in the 2006 budget, Tikrit, home to the province's major political players, and Tuz, which holds 16 of the 41 PC seats, have received substantially more than their fair share of the 2007 budget. Conversely, Samarra, which has no representation on the PC due to its boycott of the 2005 elections, and Ad Dujeel, a predominantly Shia enclave in southern Salah ad Din, have proportionally much smaller budgets. Likely due to poor fiscal record management as much as political maneuvering, the disproportional allocation of the budget runs contrary to the 2007 guidelines laid out by the MoF and MoPDC. Additionally, officials from all qadas in the province, including Tikrit, complain that they have not received information about the province's budget and coming

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projects in their areas. The provincial leadership maintains that it sends this information through each qada's PC members, though there is no evidence that it is actually received by qada officials. This lack of communication has become a major sticking point between the provincial government and the qadas, as qada officials have not been

satisfied with the quality of the projects that have been done and as contractors outside Tikrit want a share in the reconstruction projects. The PRT will discuss with the provincial government ways to more evenly distribute the budget before all of the 2007 projects have been contracted and will be working with the qada-level Coalition Forces (CF) Civil Affairs Teams to help disseminate the project information, when appropriate.

¶18. (C/NF) At present, 89 projects valued at 29.2 billion ID have been contracted and started, with an additional 29 projects valued at approximately 12.3 billion ID contracted but not yet started. The provincial government will be soliciting bids for the rest of the projects in the coming weeks. Additionally, when the PC approved the 2007 projects, each project's total included the seven percent reserve (per MoF, para 20b) and the one to three percent supervision fee (per MoF, para 21). When the bid analysis committee met, it failed to reduce the funding available for each project to account for these two sums, causing several projects to be awarded for more than the budgeted amount. The Assistant Governor for Technical Affairs claims to have received authorization from the MoPDC to reduce the seven percent reserve in order to fund these projects. In other administrative difficulties, the various units implementing the projects (including engineering, accountant, legal, and auditing) have had trouble maintaining universal tracking numbers on each project, further confusing the process and status reports.

Reporting) Inaccurate and Incomplete

¶19. (C) Budget execution reporting from the Governor's Office to the Provincial Council and other accountability bodies in the provincial government remains very weak. The project status cards required by the MoF and MoPDC regulations are reportedly being maintained in a word processing format as requested by the MoF, though the provincial government has not been able to produce them and has yet to submit them to the GOI on a monthly basis. The May fiscal report to the GOI was incomplete and inaccurate. It contained limited fiscal information, with no reporting on payments completed. We anticipate the June report will be similar, but have noticed that the Engineering and Accounting Units are working to improve the reports.

Comment

¶20. (C) Given that less than five years ago the Head Provincial Accountant was little more than a chai boy with a checkbook and that all major construction projects were governed from Baghdad, Salah ad Din province has made significant strides in executing a decentralized reconstruction budget. As procedures take hold and accountability improves, the qada-level officials and the residents of Salah ad Din are putting increasing pressure on provincial officials to produce quality results and use the province's budget effectively. END COMMENT.

¶21. (U) For additional reporting from PRT Tikrit, Salah ad Din, please see our SIPRNET Reporting Blog:
<http://www.intelink.sgov.gov/wiki/Tikrit>.

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